



Institutions and coordination models in na-oogst tobacco agribusiness

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Abstract. One of the main issues encompassing Na-Oogst (NO) tobacco agribusiness is farmers' dissatisfaction toward manufactured tobacco selling price. In general, a little trust is built among NO tobacco agribusiness actors. This condition can be seen from the lack of partnership offered by tobacco companies. Efforts to socialize the partnership cannot be implemented optimally because an assumption about the farmer groups' less role exists. Ideally, farmer groups are institutions that should be able to connect farmers as NO tobacco producers and product recipients companies. These conditions certainly contribute to the achievements of overall tobacco agribusiness. Based on the description, this study aimed at: (a) describing institutions involved in NO tobacco agribusiness, (b) identifying roles of the institutions and coordinations formed in NO tobacco agribusiness chain, and (c) analyzing the effectiveness and institutional strengthening efforts to support better tobacco agribusiness chain. The results showed (i) there were institutions in the level of farmers, traders, and companies contributing to the supply chain of NO tobacco, (ii) direct and indirect roles of institutions affected the coordination among agribusiness actors, and (iii) the effectiveness of institutional coordination has not met the expectations and strengthening efforts at key institutions, especially the government, are needed.

1. Introduction

Every business or trade will form a supply chain order as well as a value chain. Linkages among actors will provide a contribution that can affect overall activities of the business. The impact of such effort will be received by each business actor or by the entire parties involved.

Thus, the role of institutions in business activities is very crucial and contributes to the overall tobacco agribusiness value chain. As revealed by many parties, the conditions or dynamics of interactions built up in the business environment and material benefits obtained from the tobacco business can be determined by the institutions involved. In the case of Jember tobacco agribusiness, it appears that tobacco agribusiness actors play an important role in determining the amount of traded tobacco products as well as the growing prices.

The role of actors in a tobacco business and the institutions formed will determine the level of importance of the traded commodities. As stated by [1], the importance of tobacco, especially in Jember, can also be shown from the big number of the actors in the business. It was reported that there

were 18 companies of tobacco exporters, other than farmers and farm workers. Likewise, the involvement of the workers as a consequence of these business activities contributes to on-farm activities, factories and home industries, linkages of other crop cultivations, such as bamboo, as well as other forms of trading activities that are directly or indirectly related to tobacco agribusiness [1]. In addition, employment is also involved in post-harvest activities, which are important activities in tobacco agribusiness. Tobacco post-harvest activities include testing and warehousing [2].

The roles of the actors and their relevance in the final result of an agribusiness are very important. An Agribusiness activity is a business activity that has a high risk because it relates to plants as living things. In agribusiness activities, management activities at the top, middle, and lower management level have a big responsibility [3]. An effective role and coordinated collaboration in an adequate institution can contribute to the expected outcomes, both for individual actors and joint achievements. Based on this description, this study aimed at: (a) describing institutions involved in NO tobacco agribusiness, (b) identifying roles of institutions and coordinations formed in NO tobacco agribusiness chain, and (c) analyzing effectiveness and institutional strengthening efforts to support better agribusiness chain.

2. Research methods

This study was conducted using qualitative approach, with descriptive methods. The research is intended to reveal the characteristics, roles, and effectiveness of institutions, in NO tobacco agribusiness. The results of interviews with farmers and other agribusiness actors were enriched with review of previous studies.

Data and information to describe aims and objectives of the study were obtained from field observations and in-depth direct interviews with representatives of Na-Oogst tobacco farmers, traders, and representatives of related companies and institutions. This study took place in several sub-districts in Jember, including Kalisat, Ajung, Wuluhan, Ambulu, and Balung.

3. Results and Discussion

3.1 Institutions Involved in Tobacco Agribusiness

In understanding NO tobacco agribusiness institution, it cannot be separated from the understanding of individual farmers, groups, and institutions living in NO tobacco agribusiness. In this perspective, the entire structure of the tobacco community and the values living in it are NO tobacco institution.

The established institutions and mechanisms in an effort to defend themselves can eventually work and, at the same time, become their potential in empowering community members. In the end, community institutions provide space for their members to create in maintaining their existence.

The word "*lembaga*" is derived from the word "institute", which refers more to a "body", such as scientific organizations, economic organizations and various forms of organizations having various objectives [4]. Institution refers to the aspects of doctrine, values, norms, rules that bind each individual member in behaving. An institution will only be able to carry out its functions properly if it is supported by the right institutions and obeyed and remembered by each of its members.

Kelembagaan sosial is a translation of the term "social institution". Doorn and Lammers' social institutional function [4]:

- a. Providing guidelines for behaving for individuals/communities: how they must conduct themselves or behave in dealing with problems in the society, especially those concerning needs;
- b. Maintaining integrity: with the existence of agreed guidelines, the unity in the community can be maintained;
- c. Giving guidance to the community in holding social control: it means community supervision system toward its members' behaviours;
- d. Meeting basic human/community needs.

Various local institutions were formed to provide services to their members in particular and to society in general. Social institutions aim to meet basic human needs, which are categorized based on the types of the basic needs. When looking at institutions in NO tobacco agribusiness, the institutions formed can be called as economic institutions. Economic institutions aim to meet human needs for living, producing, stockpiling and distributing property, for example; agriculture, livestock, industry, cooperative, trade, etc.

Based on this understanding, the institutions existed in NO tobacco agribusiness cannot be separated from NO tobacco agribusiness actors. The actors are Farmers, Tobacco Traders (“*Belandang*”), Warehousing Company, Exporter, Importer, and Consumers. They are subjects doing major jobs in tobacco agribusiness and have significant differences among them. Based on the core chain, it can be mentioned that there are several main roles in the referred work.

When viewed based on the core processes that occur, the actors can be described as follows.

Table 1. Agribusiness actors of no tobacco

	Process						
	Provision of input / production facilities	Planting	Production and processing	Trading	Ware house	Eksport	Import
Actor	Private Production Facilities	Farmer	Farmer	Farmer	Comp any	Company	Collector/ Company
	Farmer group	Company	Company	Collector			

The matrix showed that the main actors of the trade are collectors who are often referred to as *belandang*, and interact directly with farmers. In this activity, Jember District local government manages or regulates tobacco business activity.

When looking at the existing actors, there are values and rules developed from interactions among actors that become norm, including:

- Cultivation activity (on-farm) in cultivating NO tobacco
- Post-harvest activity
- Interaction between farmers and farmer groups
- Interaction between farmers, traders, collectors and exporters
- Interaction between traders, collectors and entrepreneurs or exporters
- Interaction between entrepreneurs/exporters and importers
- Regulation of cooperation/partnership between farmers and entrepreneurs
- Interaction between farmers and agricultural extension agents

The whole existing aspects are tobacco agribusiness institutions. Institutions consist of interactions between individuals and groups influencing the overall system. The system, as stated by [5], divides dynamic of the audience into four dynamics of the system, namely:

- Individual personality system. Each individual has certain knowledge, attitudes and skills that will determine how the individual acts. A person's response to a problem stimulus might be different, due to differences in the behaviour elements.
- Group system. Each part in the group will interact specifically. Leaders with members, group structure etc., forming certain system dynamic.
- Organizational system. Just like a group, organization consists of several parts that interact internally as well as externally with its environment.

- d. Community system (community). Interaction formed in the community tends to occur in various divisions including individuals, sub-groups, and neighbourhood which generally possess various heterogeneous aspects such as preference, passion, etc.

3.2 Institutional Role and Coordination Implementation

Institutional roles in tobacco agribusiness activities are a combination of economic institutions and public sector institutions. [6] classified institutions based on local levels of social sectors, namely public sector, participatory sector and private sector. Public sector institutions include administration and local government, with bureaucracy and political organizations as its current form of organization. Meanwhile, participatory sector institutions are institutions grown and developed by the community voluntarily. Participatory sector institution in NO tobacco agribusiness is farmer group institution. The last is private sector institutions, which are oriented towards profit seeking and one of their kinds in the field of trade is tobacco industry.

Institution in tobacco agribusiness can be seen as a social system consisting of various interaction patterns of among its members, in which this interaction is facilitated or mediated by certain mutually beneficial patterns and occurs through dialectics, interaction of symbols, and expectations. Substantial factors of a social system are regularity and systematicness. In addition, elements of a social system are beliefs, sentiment, goals (goal, end, or objective), norm, status role, rank, power, sanction, and facility. In addition to these elements, there are also elements of stress and strain.

The development of social life as a system always has a development process as a part of the interaction between sub systems and systems. Each process is characterized by a consistent quality of uniformity and regularity sequences and can be distinguished by the virtues of these rules. When assessing institutions, the roles in the social system consist of:

- a. communication
- b. systemic activities
- c. social control
- d. border maintenance
- e. institutionalization
- f. socialization

When looking at the social processes occurring in tobacco agribusiness closely, agribusiness activities involve communication activities, institutionalization of rules, socialization and carrying out coordination activities. Communication activities have been carried out and involve groups of actors in the form of coordination on cultivation, harvest, and sale activities to the company. Findings in tobacco agribusiness activities showed that coordination formed among business actors has not given maximum value to each party. Several factors contributing to the condition are:

- a. no effective communication among actors, in this case, farmers, entrepreneurs, and local government
- b. distrust among the actors
- c. inadequate resources to carry out coordination
- d. diverse perceptions in understanding product qualities
- e. less equal bargaining position among actors

3.3 Effectiveness and Institutional Strengthening Efforts

In an effective system, a community can be considered to run its role effectively when there are functions running, namely:

- 1) production, distribution and consumption function
- 2) socialization function
- 3) social supervision function
- 4) participation function
- 5) mutual support function.

First, production, distribution and consumption function is a function of the community activities in the process of production, distribution and consumption of goods and services for the fulfilment of each agribusiness actor's needs.

Second, socialization function is a function to transfer or pass on knowledge, social values and behavioural patterns to agribusiness members through both formal institutions and social institutions. Third, social supervision function serves as a process by which the groups influence or determine norms and rules governing the agribusiness actors' behaviour and provides benefits to entire tobacco agribusiness activities.

Fourth, participation function is a process of developing every actor's participation in society in facilitating the effectiveness of agribusiness activities. And, mutual support function is an important function that can contribute to the actors' sense of participation in agribusiness.

Noticing the formed institutional conditions and coordination, efforts that can be done to improve the coordination effectiveness in tobacco agribusiness are:

- a. Empowering every system dimension in the the agribusiness actors' behavioural order
- b. Increasing the actors' autonomy, especially farmers and increasing the interdependence atmosphere
- c. Formulating services provided for agribusiness units
- d. Increasing roles of the local government in regulatory, distribution and supervision implementation functions in the tobacco business.

Local governments play a role in facilitating the strengthening of farmer institutions and other institutions in the interaction among actors in NO tobacco agribusiness system. In addition, the roles of management and their association with the coordination implementation among actors will contribute to the effectiveness of the chain formed. The chain effectiveness will play a role in how tobacco, especially Na-oogst tobacco, is considered as an important product. In addition to formal business organizations, there are several non-formal organizations called groups or individuals in tobacco agribusiness. In such perspective, every tobacco agribusiness actor must have roles that are considered important by other actors. For example, in this case, farmers as businessmen place tobacco as one of the commodities whose success needs to be pursued and consider it as an important commodity in his life. These conditions should receive an appreciation from other actors to facilitate the farmers' role so as to provide great benefits in the value chain.

4. Conclusion

From the discussion, it can be concluded that: (i) there are institutions at the farmer, trader and company levels that contribute to NO tobacco supply chain (ii) the roles of institutions interplay coordinations among agribusiness actors directly and indirectly, and (iii) the effectiveness of the institutional coordination has not met expectations, and strengthening efforts at key institutions, especially the government, are needed,.

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